

SPENDING AFFORDABILITY COMMITTEE

REPORT

FISCAL YEAR 2001



BALTIMORE COUNTY, MARYLAND

FEBRUARY 15, 2000



**BALTIMORE COUNTY, MARYLAND
SPENDING AFFORDABILITY COMMITTEE**

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February 15, 2000

Honorable Members of the Baltimore County Council
Honorable C.A. Dutch Ruppertsberger, III, County Executive

I am pleased to submit the report of the Spending Affordability Committee for Fiscal Year 2001. This is the tenth year of reporting under the County's Spending Affordability statute, which was adopted in March 1990.

For the fourth consecutive year, the Committee gave special attention to the objectives of the Spending Affordability Guideline, including consideration of total Estimated General Fund Revenues. The Committee reaffirmed its policy that only spending for essential government services should be linked to growth in the County economy. Accordingly, the Spending Affordability Guideline established for Fiscal Year 2001 excludes a number of spending items, including costs which are discretionary, one-time only or funded by non-County sources. The Committee also recognizes the need to control government spending to ensure that current expenses in excess of current revenues or from unreserved balances are used only for one time items such as contributions to the Revenue Stabilization Reserve Account or Capital budgets.

Accordingly, for Fiscal Year 2001, the Committee establishes a Spending Affordability Guideline of \$1,034,181,771, based on a personal income growth forecast of 4.55%. Moreover, the Committee's preliminary estimate of Fiscal Year 2001 General Fund revenues totals \$1,165,000,000, which is \$130,818,229 above the spending guideline. The Committee recommends that these funds be limited to ongoing current expenses (e.g., reserve funds, local grants, etc.) and other one-time expenses such as contributions to the capital budget to the extent that revenues are available. The Committee also identified a Fiscal Year 2000 estimated unreserved fund balance totaling \$70,322,000 in excess of the County's 5 percent target reserve. This fund balance should be eliminated through tax rate reductions or be used for one time expenses such as contributions to the capital budget. These funds should not be used to support ongoing expenses.

Further, as reflected in our recommendations, the Committee continues to believe that capital budget spending should be limited to a level that can be funded within specific, reasonable debt affordability guidelines based on County revenues, personal income levels and property values.

It is important to emphasize that the Spending Affordability Guideline is a guide, and represents neither a ceiling nor a floor on County government operating or capital expenditures. The

Guideline is established to control spending such that it is affordable and yet, at the same time, provides essential services to County citizens.

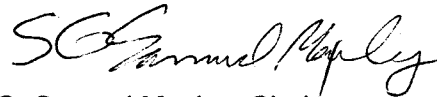
The Committee hopes that our remaining meetings will be equally productive this year, as we continue to focus on issues related to measuring County economic growth, projecting revenues and expenditures, and funding capital debt.

I would like to thank my Council colleagues on the Committee for their energetic participation in the committee process, and their thoughtful assistance to me as Chairman. I would especially like to thank Dr. Dennis C. Coates, of the University of Maryland Baltimore County, who again contributed his economic expertise, and Mr. John F. Gaburick who has served on this Committee since its inception and whose long term perspective on the Committee's role remains invaluable. In addition, the Regional Economic Studies Institute at Towson University, represented by Michael A. Funk, provided the Committee with its personal income forecast, as well as other valuable economic analysis and insights.

I would also like to acknowledge the support of the Auditor's Office and Council staff. A very special thanks to Thomas J. Peddicord, Jr., Legislative Counsel/Secretary, Brian J. Rowe, CPA, County Auditor, Marc L. Nicole, Manager, Budget Analysis and Fiscal Research, Paul R. Maihan, Senior Fiscal Analyst, Elizabeth J. Farber, Fiscal Analyst, and Michelle F. Ganjon, Fiscal Analyst Assistant, for their great help and spirit of cooperation.

We hope that this report is useful in the development and review of the County's budget for Fiscal Year 2001.

Sincerely,

A handwritten signature in dark ink, appearing to read "SG Samuel Moxley". The signature is fluid and cursive, with the initials "SG" being prominent at the start.

S.G. Samuel Moxley, Chairman
Spending Affordability Committee
Councilman, 1st District

SGSM:mfg

**BALTIMORE COUNTY, MARYLAND
SPENDING AFFORDABILITY COMMITTEE**

MEMBERS

S.G. Samuel Moxley, Councilman and Chairman

T. Bryan McIntire, Councilman

Wayne M. Skinner, Councilman

Dr. Dennis C. Coates
Department of Economics
University of Maryland Baltimore County

John F. Gaburick, CPA

STAFF

Brian J. Rowe, CPA
County Auditor

Thomas J. Peddicord, Jr., Esquire
Legislative Counsel/Secretary

Marc L. Nicole
Manager of Budget Analysis and Fiscal Research

Paul R. Maihan
Senior Fiscal Analyst

Elizabeth J. Farber
Fiscal Analyst

Michelle F. Ganjon
Fiscal Analyst Assistant

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Attachments:

- Exhibit A Baltimore County and Maryland Personal Income Forecasts
- Exhibit B Estimated Fiscal Year 2000 Surplus
- Exhibit C Fiscal Year 2001 Guideline
- Exhibit D Debt Service to Total General Fund Revenues
- Exhibit E Total Debt to Personal Income
- Exhibit F Total Debt to Full Value
- Exhibit G General Fund Spending and Personal Income

BALTIMORE COUNTY, MARYLAND

SPENDING AFFORDABILITY COMMITTEE

Report for Fiscal Year 2001

Executive Summary

The Baltimore County Spending Affordability Committee submits its report for Fiscal Year 2001, the tenth report since the Committee was established. This report reflects a continuation of last year's policies with one refinement made to the calculation of the Spending Affordability Guideline in an effort to better serve the goal of insuring that County spending be affordable while providing essential services to County citizens. Specifically, the Committee, during its deliberations, decided that debt service was an ongoing County expenditure and, therefore, should not be excluded from the computation of Spending Affordability. The Committee also reaffirmed its policy of excluding one-time only general fund spending, including contributions to the capital budget (i.e., PAYGO) from Spending Affordability. This year, the Spending Affordability Guideline will again apply only to that portion of the General Fund budget, basic County-funded operating costs, which may be appropriately linked to growth in the County economy. (See Appendix A for spending not subject to the guideline.)

The Committee continues to agree that personal income growth is a good indicator and an appropriate measure of growth in the County's economy. Based on current personal income growth projections, **the Committee recommends that growth in spending for those items subject to the Spending Affordability Guideline, be limited to 4.55 percent over Fiscal Year 2000 spending, and thus not exceed \$1,034,181,771 for Fiscal Year 2001 (Exhibit C).**

Moreover, the Committee's preliminary estimate of Fiscal Year 2001 General Fund revenues totals \$1,165,000,000, which is \$130,818,229 above the spending guideline. The Committee recommends that these funds be limited to ongoing current expenses that are not subject to the guideline (e.g., reserve funds, local grants, one-time expenses such as contributions to the capital budget, etc.) to the extent that revenues are available. The Committee also identified an estimated surplus at the end of Fiscal Year 2000 of \$126,822,000 based on estimated Fiscal Year 2000 revenues of \$1,130,000,000 (Exhibit B). This surplus consists of \$34,548,000 in the Revenue Stabilization Reserve and \$92,274,000 in undesignated fund balance. This level of surplus exceeds the County's target

of 5% of general fund revenues by \$70,322,000. This fund balance should be eliminated through tax rate reductions or be used for one-time expenses such as contributions to the capital budget. These funds should not be used to support ongoing expenses.

Finally, the Committee reaffirms its recommendations in the area of debt policy: First, that total tax-supported debt service (on all long-term obligations other than pension bonds) remain at a level that is less than 10 percent of General Fund revenues; second, that total outstanding tax-supported debt remain below 3.0 percent of County personal income; third, that the ratio of debt to full value of property in the County be maintained below the 2.5 percent level; and fourth, that the annual capital budget be limited to a level that can be funded within these debt affordability guidelines.

Introduction

In March 1990, the Baltimore County Council enacted legislation (Bill 33-90) which established a spending affordability law (Code sections 15-281 to 15-287) for Baltimore County. To ensure that growth in County spending does not exceed the rate of growth of the County's economy, the law mandates that the Spending Affordability Committee make a recommendation each fiscal year on a level of County General Fund spending that would be consistent with the economic growth of the County.

By law, the Spending Affordability Committee must submit a report to the County Council and County Executive by February 15 of each year. This reporting date allows the Executive ample time to consider the Committee's recommendations before formal presentation of the proposed budget to the Council on or before April 16 of each year. The purpose of this report is to provide formal input, from the County Council to the County Executive, related to the budget formulation process. Such reporting is thereby a significant component of the governmental system of checks and balances, helping to ensure that the operation of County government remains affordable for County citizens. The guideline is intended to set a recommended maximum County spending level which should not be exceeded in a particular fiscal year. To date, the County Executive has not proposed and the County Council has not adopted a budget that has exceeded the Committee's recommended guideline. Our hope is that the budget for Fiscal Year 2001 is again within the Committee's recommended guideline.

SPENDING AFFORDABILITY GUIDELINE

The Spending Affordability Guideline for a given fiscal year is calculated by applying a personal income growth factor to the previous year's estimated "base" spending level, as defined by the Committee. Specifically, the recommended level of spending is calculated as follows:

$$\begin{aligned} & \text{General Fund Operating Budget Appropriations (previous fiscal year)} \\ & + \text{Supplementary appropriations} \\ & - \text{Spending Adjustments (selected non-County funds, general fund contributions to} \\ & \text{the capital budget (i.e., PAYGO), reserve funds, local grants and other} \quad \text{adjustments} \\ & \text{itemized in Appendix A)} \\ & = \text{Spending Affordability Committee "Base" Spending (previous fiscal year).} \end{aligned}$$

$$\begin{aligned} & \text{Spending Affordability Committee "Base" Spending (previous fiscal year)} \\ & \times \text{Growth Factor (projected personal income growth for the next fiscal year)} \\ & = \text{Spending Affordability Committee Spending Guideline (new fiscal year).} \end{aligned}$$

This methodology yields an adjusted Fiscal Year 2000 base spending level of \$989,174,339 to which the Committee's FY 2001 personal income growth factor (4.55%) is applied. The result is the Committee's recommended Spending Affordability Guideline for FY 2001 of \$1,034,181,771. This guideline represents an increase of \$45.0 million in baseline spending for FY 2001. For FY 2001, the Committee decided that the previously excluded debt service component of spending should be classified as "ongoing spending" and be part of the spending affordability calculation. This change could increase county spending by \$3,574,836.

Defining “Base” Spending

In 1997, the Committee reconsidered the use of the prior year’s total General Fund Operating Budget as the starting point, or “base”, for spending affordability. Concluding that specific components of the County budget are not, or should not be, linked to County economic growth, the Committee decided to limit the “base” to particular types of ongoing operating expenditures. This approach to establishing spending affordability was reaffirmed this year. Specific items excluded from this spending “base”, and the rationale for their exclusion, are outlined in **Appendix A**, page 11. (Note: For FY 2001, debt service is no longer excluded from the spending affordability base calculation).

Determining the Personal Income Growth Factor: Assessing the Economy

The Committee first concluded in 1997 that it may be more appropriate to use some sort of consensus personal income growth forecast, or to adjust a particular single personal income growth forecasts, based on a consensus, for use in the spending affordability computation. That decision reflected the Committee’s appreciation of the potential for a rapidly changing economic landscape, the overall challenges of forecasting, even in a benign environment, and the potential problems associated with a single-source forecast. The Committee continues to believe that a consensus average of personal income growth forecasts is appropriate for determining the overall growth in County spending.

For FY 2001, the Committee adopted a new consensus methodology, one that it hopes will be applied in future years on a consistent basis. This methodology uses an average of six separate personal income forecasts for the State of Maryland (averaged over the two calendar years spanning the fiscal year). Individual State personal income forecasts are then adjusted by the expected personal income growth differential, projected by RESI, between the State and Baltimore County. (RESI is the only forecaster that provides an independent Baltimore County personal income forecast.) It is the Committee’s belief that the consensus forecast, adjusted for a State/County growth differential, provides balance that cannot be achieved with only a single-source personal income forecast.

Current Economic Conditions and Outlook: United States, Maryland & Baltimore County

The recent performance of the U.S., Maryland, and Baltimore County economies continues to be strong. The U.S. economic expansion, if it continues through February 2000, will be 107 months old, the longest economic expansion in history. Most economists agree that the relatively low interest rate and inflation environment, coupled with

strong domestic demand, will continue to sustain the current economic expansion, which started in the U.S. in March 1991 and a bit later in Maryland, through 2000 and beyond. Besides the brief August 1990 to February 1991 recession, induced by rapidly rising oil prices, a sharp decline in consumer confidence, and reduced consumer spending, the U.S. economy has been expanding since November 1982. Such an expansion is in sharp contrast to the post World War II U.S. economy, which recorded nine full business cycles (i.e., a period of expansion lasting for an average of 45 months, followed by a period of contraction averaging 10 months) from 1945 to 1982. If the 106-month Vietnam War supported economic expansion, which occurred in the 1960s, is excluded, the average post World War II expansion would have lasted only a little less than three years.

The economic performance of the last few years has been impressive with the real inflation adjusted U.S. economy expanding by 4.5 percent, 4.3 percent, and an estimated 4.0 percent, in 1997, 1998, 1999, respectively. Maryland's economic performance parallels the U.S., with perhaps a bit weaker growth in 1998 and a bit stronger growth in 1997 and 1999. Recent data from the U.S. Bureau of Economic Analysis show a stellar performance in real personal income growth in Maryland versus the nation. Growth in real personal income in Maryland has out-paced the U.S. average in 7 out of the last 10 quarters (1997:Q1 to 1999:Q2). Projections for personal income growth in 2000 suggest that growth will be slightly stronger in the U. S. versus Maryland, although, the differential will be minimal.

Strong economic growth has sent the national unemployment rate to levels not seen since the late 1960s. The November 1999 non-seasonally adjusted national unemployment rate was 3.8 percent, down from 4.1 percent in November 1998, the lowest in decades. Maryland and Baltimore County employment patterns are mimicking, if not exceeding, the national employment picture (research suggests that 97 percent of the employment fluctuations in Maryland can currently be explained by U.S. employment fluctuations). The non-seasonally adjusted unemployment rate in Maryland, in November 1999, stood at 3.1 percent, down from 4.0 percent a year earlier. Maryland added nearly 49,000 new jobs in 1999, the third best annual employment growth in the 1990s. Baltimore County's unemployment rate is similarly well below the U.S. rate. In November 1999, the unemployment rate in Baltimore County was 3.3 percent (the lowest since the summer of 1989) and down a full percentage point from November 1998.

Ironically, Baltimore County's and Maryland's low unemployment rates may be critical factors that limit job growth and overall economic performance in the coming years as companies find it more difficult to find qualified workers. In fact, job growth in 2000, both in Baltimore County and in Maryland, is projected to be below gains recorded over the previous few years. However, the projected slower job growth reflects an overall slowing economy which, after three

consecutive years of 4+ percent real growth, will likely expand by a little over 3 percent -- a very respectable growth rate at this stage of the current expansion. Interest sensitive sectors of the economy, such as housing and big ticket durable goods, appear the most vulnerable to a slowdown because of interest rate increases that occurred in late 1999 and early 2000. Although interest rate increases will slow growth slightly, the fundamentals of the Maryland and Baltimore County economies, low unemployment and strong personal income growth, should not be altered significantly.

Over the decade of the 1990s, the annual rate of growth in personal income in Maryland exceeded Baltimore County's personal income growth rate by an average of 0.5 percent. However, in 1997 (latest actual data) the growth gap between Baltimore County and Maryland widened and projections suggest that over the next few years, the State will see its overall personal income growth rate exceed Baltimore County's personal income growth rate by almost three quarters of a percent annually. Higher State versus County growth does not necessarily reflect a weak County economy. Rather, it reflects very strong pockets of strength in other parts of Maryland. A more detailed account of personal income growth patterns in Maryland and Baltimore County can be found in Appendix B, page 13.

Recommendation - Fiscal Year 2001 Spending Affordability Guideline

Applying the personal income growth rate of 4.55% to the Fiscal Year 2000 base spending yields the maximum recommended growth in spending subject to the Spending Affordability Guideline. **Specifically, the Committee recommends a maximum FY 2001 General Fund base spending level of \$1,034,181,771. The Committee further reports a preliminary FY 2001 General Fund revenue estimate of \$1,165,000,000, which is \$130,818,229 above the spending guideline.** The Committee recommends that these funds be limited to ongoing current expenses not subject to the guideline (e.g., reserve funds, local grants, one-time expenses such as contributions to the capital budget, etc.). As a comparison of revenue growth, FY 1999 General Fund revenues were \$1,094,360,000 and FY 2000 General Fund revenues are estimated at \$1,130,000,000. If estimated General Fund revenues materialize, revenues will have increased by 6.1% in FY 1999, 3.3% in FY 2000 and 3.1% in FY 2001. The Committee's revenue estimates are preliminary and will be adjusted as necessary as additional information becomes available.

The FY 2001 revenue estimate noted above does not include the \$126.8 million unreserved General Fund balance expected to be available at the start of FY 2001. (The \$126.8 million estimate includes \$34.5 million expected to be designated for the Revenue Stabilization Reserve Account (RSRA) at the end of FY 2000.) The Committee

recognizes that the total fund balance is an important indicator for sound fiscal policy and helps to maintain the County's AAA bond rating. The County's current financial guidelines set a target for a total fund balance equal to 5% of General Fund revenues (including the RSRA, which is mandated by the Code to reach at least 3% of budget). This 5% target would total \$56.5 million, based on the estimated Fiscal Year 2001 General Fund revenues, leaving a little over \$70.3 million above the County's 5% target reserve. **According to the County's financial guidelines, these surplus funds should be eliminated through tax rate reductions or used for one-time expenditures such as contributions to the capital budget or repayment of debt. They should not be used for ongoing expenses.** The Committee will continue to monitor carefully the level and uses of General Fund balances, both designated and undesignated.

Debt Affordability

The Committee has included debt affordability and capital budget recommendations in its last four reports. This report reaffirms the previously established guidelines as reasonable and fiscally sound.

The Committee reviewed and discussed updated information on total debt and debt service trends over time, measured by reference to property values, personal income, General Fund revenues, and other indicators. County finance and budget officials, and their advisors, monitor these trends carefully. The Committee believes that its review of debt affordability and the setting of specific guidelines provides an enhanced system of checks and balances, further displaying the County's fiscal responsibility to its citizens, bond rating agencies and others in the financial community. The Committee recommends that the annual capital budget and capital program be controlled such that the projected issuance of new tax-supported debt does not raise total outstanding debt or annual debt service above the levels specified in this report. As in past years, the Committee excluded pension funding bonds from the recommended guidelines. These bonds are issued to finance the unfunded liability of closed pension programs; as such, they provide net current General Fund cost savings.

The ratio of debt service to total General Fund revenues is a key debt affordability indicator. The basic benchmark set by credit analysts is that a ratio over 10% (excluding pension bonds) suggests that the debt burden is too heavy. The Administration's financial guidelines set a target range of between 8.0 to 9.0%; the County's actual

Fiscal Year 1999 ratio is 5.8% (excluding pension bonds) (See Exhibit D). **The Committee recommends that the debt service ratio (excluding pension bonds) be maintained below the 10% level.**

Personal income is perhaps the most comprehensive indicator for measuring the debt burden, because it takes into account earnings of County taxpayers that reasonably could be taxed to pay debt service and County operations. The Administration's financial guidelines set a debt to personal income ratio of between 2.0 to 2.5% (excluding pension bonds); the Fiscal Year 1999 ratio is 1.9% (1.8% excluding other borrowings as well as pension bonds) (See Exhibit E). **The Committee recommends that the debt to personal income ratio (excluding pension bonds) be maintained below the 3.0% level.**

The ratio of debt to property value is an indicator of the burden that debt places on the property tax base. The County Charter provides that total County debt outstanding shall not exceed 10% of the County's assessable base (reflecting the 40% assessment ratio for real property). The Administration's financial guidelines set a debt to full value ratio (excluding pension bonds) of between 1.4 to 2.0%, which equates to an assessed value ratio of 3.5 to 5.0%; the actual Fiscal Year 1999 full value ratio, excluding pension bonds, is 1.1% (1.0% excluding other borrowings) (See Exhibit F). **The Committee recommends that the debt to full value ratio (excluding pension bonds) be maintained below the 2.5% level.**

Other Issues

As the Committee continues to review an increasingly broad range of issues, it recognizes the importance of continued meetings after issuance of the annual report. The Committee will, therefore, continue to meet during 2000 to discuss such topics as refining revenue and budget projections for use in setting the guideline; examining the relationship between personal income growth and County revenue and budget growth; analyzing other relevant indicators of County economic growth and spending affordability; and examining the wide range of capital budget and debt affordability issues.

APPENDIX A

Spending Not Subject to Personal Income Growth

Appropriations supported or determined by non-County funds:

- State and federal grants budgeted in the General Fund: these funds support State and/or Federal programs/activities which are not directly supported by County taxpayers and therefore are not dependent upon or controlled by the growth in County personal income.
- Local Share - State and Federal Grants: the total required County General Fund match for all anticipated grants is based on the level (and match provisions) of grant funding. Acceptance of State and Federal grants is discretionary.
- Education - Federal/Restricted Programs: the required County General Fund match for such funds in the Department of Education is similarly based on the level (and match provisions) of grant funding.

Capital budget-related appropriations:

- Pay-As-You-Go (PAYGO): the General Fund contribution to the capital budget, if any, is determined annually based on funds that are available and not otherwise committed to supporting County services. Thus, such expenditures may be viewed as one-time outlays.

Reserve funds and contingencies:

- Revenue Stabilization Reserve Account (RSRA): appropriations or transfers to the RSRA do not represent expenditures but rather a reserve of funds available in case of an emergency. These funds are required to equal at least 3% of the General Fund budget.
- Contingency Reserves: these funds are appropriated for unanticipated needs (e.g., emergencies) and are not earmarked for a specific purpose or program. As such, this appropriation does not represent

an expenditure but rather a reserve for contingencies. If these funds are spent, the nature of the expenditure would be examined to determine its effect on baseline spending (e.g., one-time or ongoing).

Local grants:

- Grants awarded by the Commission on Arts and Sciences (budgeted as “Organizational Contributions”) are purely discretionary and may be viewed as one-time-only. As such, funding is subject to the availability of revenues and/or surplus and need not be limited to growth in personal income.

Other Adjustments:

- Specific exclusions for one-time, nonrecurring costs or revenues. In the last two fiscal years, an exclusion has been given for spending by the Board of Education for items excluded from the State Maintenance of Effort requirement.
- Supplemental appropriations which meet the above criteria for exclusion.
- Other expenditures or revenues, to be determined on a year-to-year, case-by-case, basis.

APPENDIX B

Economic Outlook for Maryland and Baltimore County

Percent Change in Personal Income

<u>Calendar Year</u>	<u>Maryland</u>	<u>Baltimore County</u>
1990 (actual)	6.3%	6.7%
1991	3.0	2.7
1992	3.9	3.3
1993	4.0	1.9
1994	5.2	4.9
1995	4.0	4.1
1996	5.1	5.2
1997	<u>5.8</u>	<u>4.8</u>
CY 90-97 avg.	4.7%	4.2%

Fiscal Year

1998 (estimate)	5.4%	4.6%
1999 (estimate)	5.8	4.8
2000 (forecast)	5.5	4.7
2001 (forecast)	<u>5.0</u>	<u>4.3</u>
FY 98-01 avg.	5.4%	4.6%

Source: **History:** U. S. Department of Commerce, Bureau of Economic Analysis

Forecast: Regional Economic Studies Institute, Towson University, November 1999.

Note: The main components of personal income are wages and salaries, but personal income also includes dividends, interest, and transfer payments. Capital gains are excluded.

BALTIMORE COUNTY AND MARYLAND PERSONAL INCOME FORECASTS
(MILLIONS OF CURRENT DOLLARS)

QUARTER	BALTIMORE COUNTY PERSONAL INCOME ESTIMATE	PERCENT CHANGE	BALTIMORE COUNTY PERSONAL INCOME FORECAST	PERCENT CHANGE	MARYLAND PERSONAL INCOME HISTORY	PERCENT CHANGE	MARYLAND PERSONAL INCOME FORECAST	PERCENT CHANGE
FY 98								
1997:3	\$21,663	1.14%			\$146,589	1.08%		
1997:4	\$21,909	1.14%			\$148,982	1.63%		
1998:1			\$22,129	1.00%	\$150,778	1.21%		
1998:2			\$22,417	1.30%	\$153,115	1.55%		
FY CHANGE				4.64%		5.44%		
FY 99								
1998:3			\$22,677	1.16%	\$155,298	1.43%		
1998:4			\$22,936	1.14%	\$157,463	1.39%		
1999:1			\$23,244	1.34%	\$159,823	1.50%		
1999:2			\$23,464	0.95%	\$161,620	1.12%		
FY CHANGE				4.77%		5.80%		
FY 2000								
1999:3			\$23,797	1.42%			\$164,202	1.60%
1999:4			\$24,046	1.05%			\$166,217	1.23%
2000:1			\$24,294	1.03%			\$168,228	1.21%
2000:2			\$24,547	1.04%			\$170,280	1.22%
FY CHANGE				4.72%				5.47%
FY 2001								
2000:3			\$24,806	1.06%			\$172,384	1.24%
2000:4			\$25,071	1.07%			\$174,536	1.25%
2001:1			\$25,340	1.07%			\$176,719	1.25%
2001:2			\$25,612	1.08%			\$178,937	1.25%
FY CHANGE				4.29%				5.03%
FY 2002								
2001:3			\$25,889	1.08%			\$181,192	1.26%
2001:4			\$26,169	1.08%			\$183,478	1.26%
2002:1			\$26,452	1.08%			\$185,793	1.26%
2002:2			\$26,738	1.08%			\$188,131	1.26%
FY CHANGE				4.38%				5.13%
FY 2003								
2002:3			\$27,026	1.08%			\$190,495	1.26%
2002:4			\$27,317	1.07%			\$192,884	1.25%
2003:1			\$27,622	1.12%			\$195,390	1.30%
2003:2			\$27,932	1.12%			\$197,929	1.30%
FY CHANGE				4.42%				5.16%

December 2, 1999

Sources:

RESI, Bureau Of Economic Analysis

EXHIBIT A

BALTIMORE COUNTY, MARYLAND
ESTIMATED FISCAL YEAR 2000 SURPLUS
(\$ in Millions)

FY 1999 General Fund Surplus (per CAFR)	148.431
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FY 2000 Revenue Estimate (per Adopted Budget)	1,099.423
FY 2000 Revision (per Spending Affordability Comm.)	<u>30.577</u>
FY 2000 Revised Revenue Estimate (per SAC)	1,130.000

FY 2000 General Fund Appropriations (per Adopted Budget)	<u>1,151.609</u>
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FY 2000 Estimated Surplus (per SAC)	126.822
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County Fund Balance Guideline (5% of General Fund Revenues)*	56.500
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Balance above the Guideline	70.322
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* Includes \$34.548 million in Revenue Stabilization Reserve Account

**BALTIMORE COUNTY, MARYLAND
SPENDING AFFORDABILITY COMMITTEE (SAC)
FISCAL YEAR 2001 GUIDELINE**

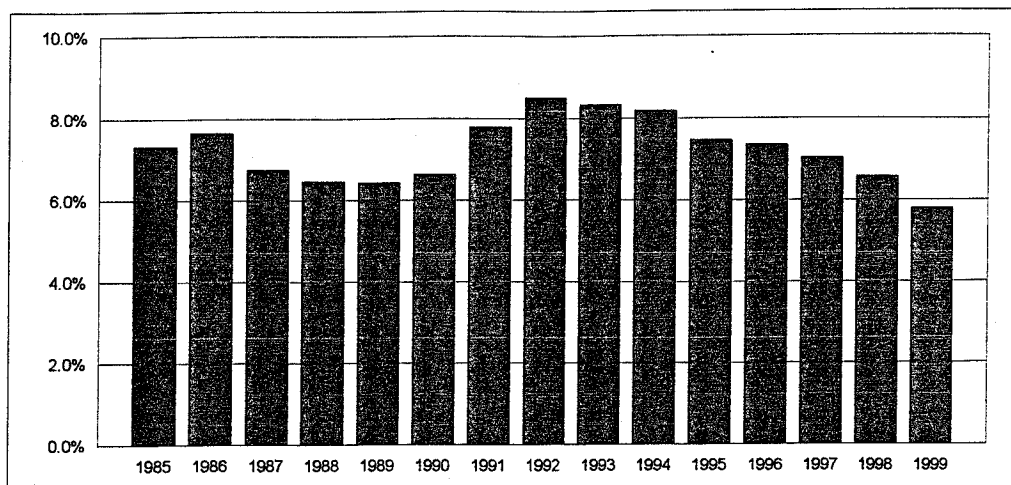
FY 2000 General Fund Operating Budget Appropriations	\$1,151,608,979
Supplementary Appropriations to date	<u>0</u>
Sub-Total	<u>1,151,608,979 (A)</u>
SAC Adjustments:	
Selected Non-County Funds	
State and Federal Grants in Aid (excluding tax reimbursement)	(25,193,846)
Local Share - State & Fed. Grants	(3,808,902)
Education - Federal/Restricted Program	(970,179)
Capital-Related Items	
PAYGO	(121,617,000)
Reserve Funds	
Economic Stabilization Reserve Fund	0
Contingency Reserve	(1,000,000)
Local Grants	
Arts & Science Grants	(2,304,500)
Other Adjustments	
One-time revenues, costs or savings ¹	<u>(7,540,213)</u>
Total Adjustments	<u>(162,434,640) (B)</u>
FY 2000 SAC Spending - Base Year (A - B)	<u>\$989,174,339 (C)</u>
Growth Factor ²	x <u>1.0455 (D)</u>
FY 2001 SAC Spending Guideline (C x D)	<u><u>\$1,034,181,771 (E)</u></u>
FY 2001 Preliminary General Fund Revenue Estimate	1,165,000,000 (F)
FY 2001 GF Resources above Guideline (F - E)	130,818,229

¹ Non-recurring FY 2000 outlay to the Board of Education.

² Fiscal year 2001 Baltimore County personal income growth estimate based on the average of six state forecasts reviewed by the Committee. This estimate was adjusted for Baltimore County by the ratio (0.8529) of County to State personal income growth as forecast by RESI.

BALTIMORE COUNTY, MARYLAND

DEBT SERVICE TO TOTAL GENERAL FUND REVENUES Fiscal Years 1985 to 1999



Fiscal Year	Total General Fund Revenues	Debt Service *	Debt Service/ Revenues Ratio**
1985	\$570,915,904	\$41,881,021	7.3%
1986	590,361,657	45,212,131	7.7%
1987	633,587,471	42,782,690	6.8%
1988	688,248,138	44,511,364	6.5%
1989	733,403,105	47,229,889	6.4%
1990	792,369,875	52,580,384	6.6%
1991	820,557,654	63,953,476	7.8%
1992	801,995,002	68,239,158	8.5%
1993	844,559,646	70,338,690	8.3%
1994	864,330,812	70,757,472	8.2%
1995	891,915,401	66,654,807	7.5%
1996	919,128,524	67,681,120	7.4%
1997	963,223,099	67,876,726	7.0%
1998	1,031,218,688	67,821,340	6.6%
1999	1,094,360,000	63,463,000	5.8%

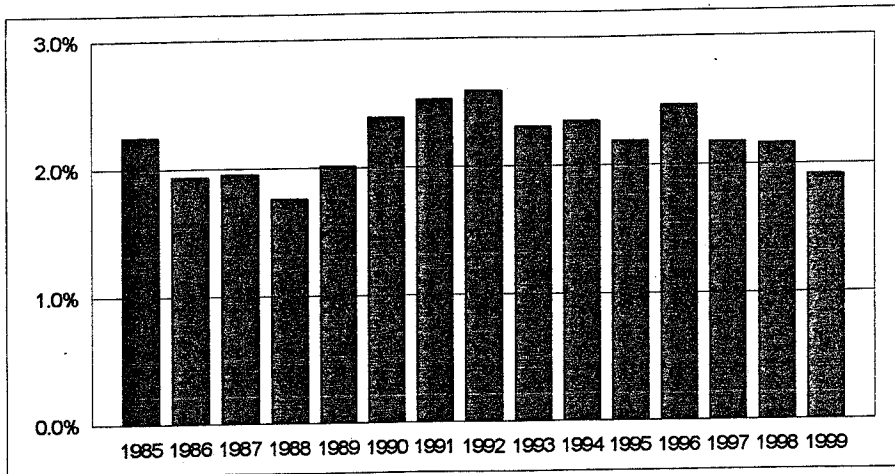
* Debt Service related to G.O. Debt (excluding Pension Bonds) and Other Borrowings; Education and Library lease costs data are not readily available but the historical ratios should not change significantly with the debt service for these lease costs.

** Administration Guideline sets ratio in range of 8.0 to 9.0%; Spending Affordability Committee Guideline advises that ratio be maintained below 10%.

Sources: Baltimore County Annual Budget Documents,
FY 1999 Baltimore County Comprehensive Annual Financial Reports

BALTIMORE COUNTY, MARYLAND

TOTAL DEBT* TO PERSONAL INCOME Fiscal Years 1985 to 1999



Fiscal Year	Debt * to Personal Income Ratios		
	G.O. Bonds	Other Borrowings	Total Debt Ratio**
1985	2.2%	0.0%	2.3%
1986	1.9%	0.0%	1.9%
1987	1.9%	0.0%	2.0%
1988	1.6%	0.1%	1.8%
1989	1.8%	0.2%	2.0%
1990	2.0%	0.4%	2.4%
1991	2.2%	0.3%	2.5%
1992	2.3%	0.3%	2.6%
1993	2.1%	0.2%	2.3%
1994	2.1%	0.2%	2.4%
1995	2.0%	0.2%	2.2%
1996	2.3%	0.2%	2.5%
1997	2.0%	0.2%	2.2%
1998	2.0%	0.1%	2.2%
1999	1.8%	0.1%	1.9%

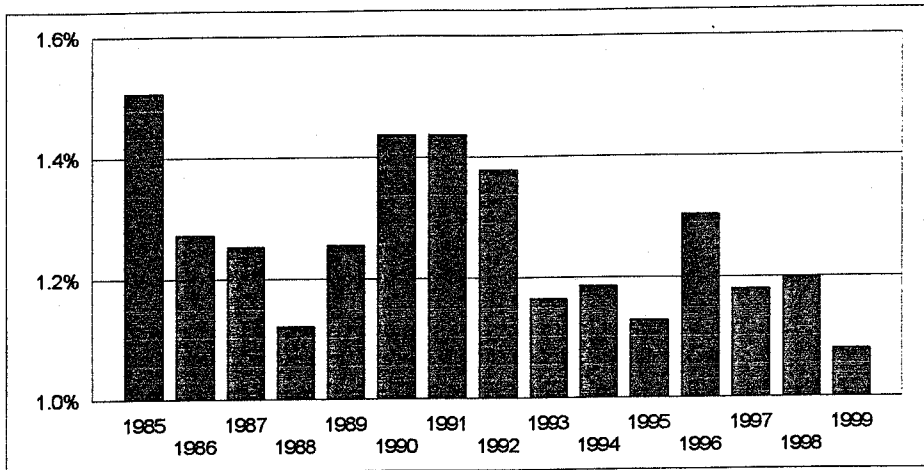
* Excluding Pension Bonds

** Administration Guideline sets ratio in the range of 2.0 to 2.5%; Spending Affordability Committee Guideline advises that ratio be maintained below 3.0%. This percentage applies to General Obligation Bonds and other borrowings, but excludes pension bonds.

Sources: Baltimore County Comprehensive Annual Financial Reports; Regional Economic Studies Institute - Towson University (RESI)

BALTIMORE COUNTY, MARYLAND

TOTAL DEBT* TO FULL VALUE Fiscal Years 1985 to 1999



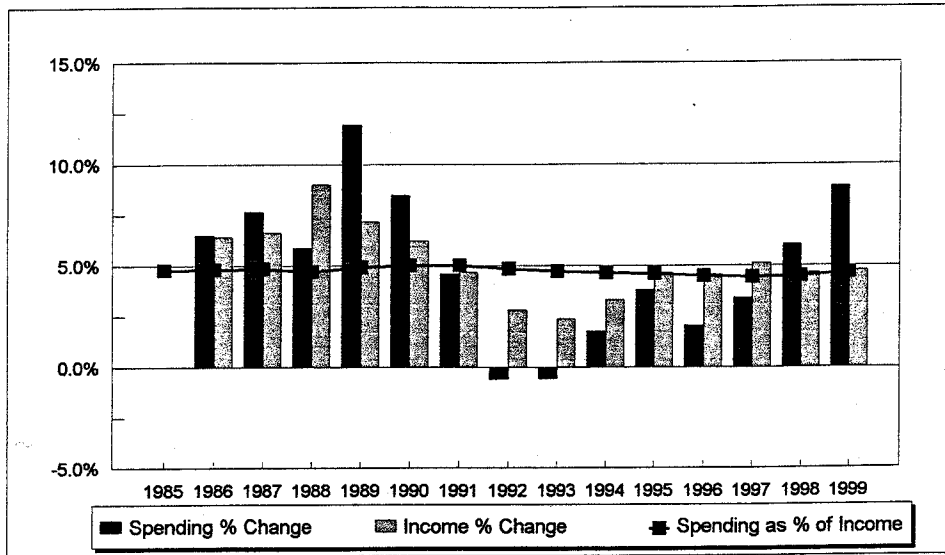
Fiscal Year	Debt* to Full Value Ratios		
	G.O. Bonds	Other Borrowings	Total Debt Ratio**
1985	1.5%	0.0%	1.5%
1986	1.3%	0.0%	1.3%
1987	1.2%	0.0%	1.3%
1988	1.0%	0.1%	1.1%
1989	1.1%	0.1%	1.3%
1990	1.2%	0.2%	1.4%
1991	1.3%	0.2%	1.4%
1992	1.2%	0.1%	1.4%
1993	1.0%	0.1%	1.2%
1994	1.1%	0.1%	1.2%
1995	1.0%	0.1%	1.1%
1996	1.2%	0.1%	1.3%
1997	1.1%	0.1%	1.2%
1998	1.1%	0.1%	1.2%
1999	1.0%	0.1%	1.1%

* Excluding Pension Bonds

**Administration Guideline sets ratio in range of 1.4 to 2.0%; Spending Affordability Committee Guideline advises that ratio be maintained below 2.5%. This percentage applies to General Obligation Bonds and other borrowings, but excludes pension bonds.

Source: Baltimore County Comprehensive Annual Financial Reports

**BALTIMORE COUNTY, MARYLAND
GENERAL FUND SPENDING AND PERSONAL INCOME
FISCAL YEARS 1985 TO 1999**



Fiscal Year	Final General Fund Spending (\$Millions)	% Change	Balt. Co. Personal Income (\$Billions)*	% Change	Spending as % of Personal Income
1985	\$548.350	--	\$11.417	--	4.80%
1986	584.108	6.5%	12.151	6.4%	4.81%
1987	629.000	7.7%	12.958	6.6%	4.85%
1988	665.976	5.9%	14.125	9.0%	4.72%
1989	745.631	12.0%	15.140	7.2%	4.92%
1990	809.020	8.5%	16.084	6.2%	5.03%
1991	846.189	4.6%	16.835	4.7%	5.03%
1992	841.254	-0.6%	17.307	2.8%	4.86%
1993	836.438	-0.6%	17.719	2.4%	4.72%
1994	851.315	1.8%	18.303	3.3%	4.65%
1995	883.680	3.8%	19.155	4.7%	4.61%
1996	901.937	2.1%	20.029	4.6%	4.50%
1997	932.651	3.4%	21.053	5.1%	4.43%
1998	989.123	6.1%	22.030 E	4.6% E	4.49% E
1999	1077.587	8.9%	23.080 E	4.8% E	4.67% E

* Average of the four calendar quarters falling within the fiscal year; see Exhibit A of this report.

The most recent actual data for Baltimore County Personal Income are for calendar year 1997. Estimates (denoted with "E") are from RESI.

Sources: Baltimore County Comprehensive Annual Financial Reports, Regional Economic Studies Institute - Towson University (RESI)